MT LEGISLATIVE HISTORY

Chapter 503 1975

Bill H _____ (S) 235 Original bill & hist. ✓ C

H. Committee on Business & Industry			S. Committee on Business & Industry		
Hearing Date(s)	Mar 12	✓ C	Hearing Date(s)	Feb 19	✓ C
		C		Feb 24	✓ C
		C			C
		C			C
Date Out		C		Feb 24	✓ C

BEST COPY AVAILABLE

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

NO.	AUTHOR	SUBJECT	REFERRED TO
	DUNKLE, DRAKE	OF THIRD CLASS CITIES AND SOME TOWNS.	GOVERNOR 3/31/75 CHAPTER 194
230	NORMAN (BY REQUEST OF DEPT. OF REV.)	REDEFINING CIGARETTE VENDORS, DEFINING SUB-JOBBERS, REQUIRING LICENSES.	SIGNED BY GOVERNOR 4/16/75 CHAPTER 445
231	LYNCH, MURPHY	INCREASING SALARIES OF CERTAIN COUNTY OFFICERS.	SIGNED BY GOVERNOR 3/31/75 CHAPTER 195
232	MC CALLUM, E. SMITH, FLYNN, ET AL	CUTTING JUNK VEHICLE DISPOSAL FEES IN HALF.	SIGNED BY GOVERNOR 3/17/75 CHAPTER 52
233	WATT (BY REQUEST OF HIGHWAY DEPT.)	IMPOSING TAX ON USE OF SPECIAL FUEL AND LICENSE TAX ON PRIVILEGE OF ENGAGING IN BUSINESS OF DISTRIBUTING GASOLINE.	SIGNED BY GOVERNOR 4/14/75 CHAPTER 406
234	GREELY, FASBENDER, GALT, ET AL	ALLOWING SAVING AND LOAN ASSOCIATIONS TO MAKE SAME CHARGES ON INSTALLMENT LOANS AS DO BANKS AND EXCLUDING APPLICATION OF THE SECTION TO LOANS FOR THE PURCHASE OF REAL ESTATE.	SIGNED BY GOVERNOR 3/31/75 CHAPTER 196
235	GREELY, HIMSL, FASBENDER, ET AL	REGULATING THE MAXIMUM RATE OF INTEREST WHICH PARTIES MAY AGREE TO IN WRITING.	SIGNED BY GOVERNOR 4/29/75 CHAPTER 503
236	NORMAN, FLYNN	PROVIDING FEE INCREASE IN THE RESIDENT AND NONRESIDENT HUNTING LICENSES.	SIGNED BY GOVERNOR 5/12/75 CHAPTER 546
237	LYNCH	RELATING TO PUBLIC SERVICE COMMISSION APPROVAL OF CERTAIN MOTOR CARRIER AGREEMENTS.	SIGNED BY GOVERNOR 4/7/75 CHAPTER 288
238	HIMSL, GREELY, DRAKE	ADDING NEW CLASS OF INDUSTRIAL EQUIPMENT UNDER RETAIL INSTALLMENT SALES ACT.	SIGNED BY GOVERNOR 4/7/75 CHAPTER 252

Senate BILL NO. 235

INTRODUCED BY Greely, Himsl, Galt, Fabrender, Halstad, Dave Hallbakken, Severson, R. Smith, Stephens, Flynn, Rosell

A BILL FOR AN ACT ENTITLED: "AN ACT TO REGULATE THE MAXIMUM RATE OF INTEREST WHICH PARTIES MAY AGREE TO IN WRITING, AMENDING SECTION 47-125, R.C.M. 1947."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 47-125, R.C.M. 1947, is amended to read as follows:

"47-125. Same--~~any~~ rate ~~not--exceeding--ten--per--cent~~ allowed by agreement. Parties may agree in writing for the payment of any rate of interest not ~~exceeding--the--rate--of ten-per-cent-per-annum~~ more than five percent (5%) in excess of the discount rate on ninety-day commercial paper in effect at the federal reserve bank in the ninth federal reserve district, and such interest shall be allowed, according to the terms of the agreement, until the entry of judgment."

-End-

INTRODUCED BILL

SB 235

February 19, 1975

MINUTES OF THE MEETING

BUSINESS AND INDUSTRY COMMITTEE

MONTANA STATE SENATE

The meeting of the Business and Industry Committee was called to order by Chairman Regan on the above date in room 404 of the State Capitol Building. The meeting was held to discuss Senate Bill 234 an act entitled: "An Act Amending Section 5-527, R.C.M. 1947, To Allow Savings and Loan Associations to Make the Same Charges on Installment Loans as do Banks." Senate Bill 235 an act entitled: "An Act to Regulate the Maximum Rate of Interest Which Parties May Agree to in Writing Amending Section 47-125, R.C.M. 1947." Senate Bill 238 an act entitled: "An Act Amending Section 74-608, R.C.M. 1947, to Add a New Class of Industrial Equipment Under the Retail Installment Sales Act and Setting the Maximum Finance Charge for the New Class."

SENATE BILL 238: Senator Himsl, chief sponsor, presented the bill to the Committee which would add a new class of industrial equipment under the retail installment sales act and setting the maximum finance charge for the new class. Tom Harrison, Montana Equipment Distributors Association, supported the bill. He suggested that in the new sub-section 3, line 10, following "logging" insert "mining." Gene Johnson, Westmont Tractor Company, stated they finance all equipment they sell. They borrow the money from the money market. In the past six months they were paying up to 16% in interest. They loose 4% on all financing. By passing the bill they could offer financing to customers and keep the money in Montana. Ken McDonald, Western Diesel Power, stated that some finance companies have pulled out of Montana because they could not make a profit. Lloyd Prangler, Prangler Distributors, stated that it has become necessary for purchasers of equipment to look for financing outside of Montana or to do their own financing. Eldon Nicholson, Nicholson Paving, stated that many people leave the state to buy equipment. Frank Feldman, Feldman-Murphy Company, stated that money is not available to him because it is not competitive. Richard Griel, Triple Tree Incorporated, stated they have to pay more for the equipment when bought outside of Montana because of moving costs. Bob Doolen, Western Equipment Company in Billings, stated they want a rate to make financing available period.

SENATE BILLS 234 and 235: Senator Greely, chief sponsor, persented them to the Committee. Senate Bill 234 would allow savings and loan associations to make the same charges on installment loans as do banks. Senate Bill 235 would regulate the maximum rate of interest which parties may agree to in writing. Ross Cannon, Montana Bankers Association, stated that Senate Bill 235 is the more important of the two. He suggested they eliminate the floor. Paul Johnson, Montana Savings and Loan Association, supported the bills. Prepared statement attached. W.B.

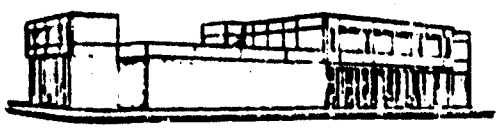
Andrews, Northwestern Bank, supports the bills. He stated that in the past 1 1/2 years they have not sold a single mortgage because the rates are so high. Bill Clark, Development Credit Corporation, stated they have to borrow money when they give a loan and they pay 10% interest on the loans. The federal law only applies to national chartered loans or nationally chartered institutions. John Cadby, Montana Bankers Association, supports the bills. He urged this law of 70 years be altered. Ed Fallon, Montana Livestock Corporation, stated they will continue to finance agriculture. They need the help of commercial banks as well as insurance companies. Cliff Christian, Montana Association of Realtors, stated that homes in Montana are not being built because financing is not available. Steve Gross, Home Federal Savings and Loan, supported the bills for reasons previously given. Harold Pitts Director of Business Regulations, supported the changing of rates in Montana.

A brief discussion followed with questions from the Committee. Chairman Regan asked what the average was between the discount rate and the prime interest rate. Mr. Pitts replied it was about 3%. Senator Rosell asked if House Bill 120 had better provisions. Mr. Pitts replied that they are going to amend the bill to state 12 1/2% up to $50,000 and 15% on any amount over $50,000. Senator Greely asked if they had any objections to writing a clarification in the bill. Ross Cannon replied that on line 17, page 1, of Senate Bill 235, following "district" insert "at the time the loan is made."

ADJOURN: There being no further business Chairman Regan adjourned the meeting at 12:30.

PAT REGAN, CHAIRMAN

FIRST FEDERAL



February 19, 1975

PAUL A. JOHNSON
PRESIDENT

Statement before Senate Business & Industry Committee
In Favor of SB 234 and SB 235

I am Paul A. Johnson, President of First Federal Savings and Loan Association of Great Falls. Our Association is one of the largest in the state with assets of $67,530,000, as of December 31, 1974. We have always been large FHA and VA lenders. As of the end of the year, 64.65% of our loans outstanding were insured by the FHA or guaranteed by the VA; 35.35% were conventional loans. Of these loans 88.25% were on one to four family dwellings with the grestest number being on single family dwellings. Only 11.25% of our loans were on apartment houses, motels, or other commercial buildings. I point this out to demonstrate we have always supported the real estate market for existing homes and have provided funds for the construction of new homes.

Up until 1974, our savings flows and repayment on loans were usually sufficient to take care of our lending volume and we weren't too much concerned with the secondary mortgage markets. Attached is a chart showing the flow of our Savings and loan commitments outstanding for the year 1974. You will note we actually had a decrease in savings for the second and third quarters, excluding interest paid to savers. This was the period in which short term interest rates reached record highs. Fed Funds invested in banks paid as much as 13.5%; certificates of deposit of $100,000 or more paid 11.5%, plus; U. S. Treasury Bills got as high as 9.35%; and U. S. Government agencies reach 9.85%. This didn't leave much incentive for people to save with us with maximum rates of 5 1/4% to 7 1/2%.

At the end of June we still had loans in process and commitments of $2.2 million. At this point it was apparent that our savings inflow wasn't going to be sufficient to take care of our commitments. We therefore, sold $1 million of 8 1/2% FHA and VA loans to the Federal Home Loan Mortgage Corporation. We made these loans at par and had to sell them at a 5% discount at an approximate loss of $50,000. We did this so we could continue to take care of the realtors and home builders. It was apparent that if savings flows were going to continue slow, we would have to obtain funds from the secondary market. So we decided to make all our loans on a basis which would be salable.

However, interest rates escalated so fast that by the first part of September, in order to sell loans to the FHLMC as shown in Exhibit I, we would have to provide a yield on conventional loans of 10.75%; to the Federal National Mortgage Association as shown in Exhibit II, the yield would have to be 11.00%. The FNMA quotation for FHA and VA loans, Exhibit III was 10.850%. FHA Title I Improvement rates were raised to 12%, Exhibit IV. To borrow from the Federal Home Loan Bank, Exhibit V, the rates varied from 9.25% for a fixed rate, for three years to 11.5% on a flexible

balance. Therefore, it is clear that it was impossible to operate in the secondary market, or borrow funds with which to make loans, with a ceiling of 10%.

We had to decrease our lending program very drastically because the only loans we could make were from the repayment of outstanding loans and savings inflow. You will note our Loans in Process and Commitments Outstanding decreased from $2.8 million at the end of May to $1.3 million at the end of September. We were put completely out of the secondary market because of the 10% limit. I rather imagine our experience is very typical. For that reason we are very much in favor of SB 235 or HB 120. When institutions like ours have to curtail their lending volume for new home construction, that means a decrease in jobs for craftsmen, the lumber industry, and so on down the line. With the limited opportunities for employment in Montana, it just doesn't make good sense to me to tie our hands with an unrealistic interest rate limit.

Actually, we don't feel a limit is necessary at all, because we have the Truth in Lending laws. Each and every borrower now has to be given a complete statement of exactly what the Annual Percentage Rate is on the loan, including all fees and charges. This has to be given to them before the loan is closed. In view of these circumstances, we can see no reason whatsoever for continuing the law limiting the maximum rate to 10%.

In regard to SB 234, the banks have for years been able to charge more than 10% on installment loans. Since we too make some installment loans, this bill is merely to amend the existing law to put us on the same basis as the banks.

Paul A. Johnsen, President
First Federal Savings and Loan
Association of Great Falls; and

Chairman, Legislative Committee
Montana Savings and Loan League

PAJ/ew

Attachments

1974 Month	Increase in Savings	Loans in Process & Commitments Outstanding
January	$1,550,217	$1,650,753
February	965,559	1,531,463
March	60,410	2,263,380
TOTAL 1ST QUARTER	$2,576,186	
April	$ -27,195	$2,351,230
May	186,340	2,824,172
June	-205,372	2,201,369
TOTAL 2ND QUARTER	$ -46,227	
July	$ -186,354	$2,075,225
August	-152,320	1,655,570
September	-211,408	1,324,195
TOTAL 3RD QUARTER	$ -550,082	
October	$ 90,036	$1,727,402
November	285,075	1,627,402
Decmeber	76,776	2,238,892
TOTAL 4TH QUARTER	$ 451,887	
TOTAL INCREASE FOR YEAR EXCLUDING INTEREST PAID	$2,431,764	
INTEREST PAID TO SAVERS	$3,334,589	

September 9, 1974

LOAN OFFICERS

I REALLY THOUGHT THE INCREASE IN RATES WHICH WE RECEIVED FROM THE FHLMC ON AUGUST 28, WOULD BE AS HIGH AS THEY COULD POSSIBLY GO. HOWEVER, I WAS WRONG. YOU WILL NOTE THEY HAVE INCREASED AGAIN.

PAJ/ew

Paul a Johnson

PURCHASE PRICE QUOTATIONS

FEDERAL HOME LOAN MORTGAGE CORPORATION

FHA/VA	CONVENTIONAL PARTICIPATION	CONVENTIONAL MORTGAGES
RATE: 9.50 IMMED. *92.50	Class A: *10.75 Class B: *10.50	1 to 4: *10.75 Multi: *11.00

Weekly price quotations appear every Thursday in the Wall Street Journal, normally on the Bond Market page.

*Price Change Effective September 5, 1974

We can't make loans to sell at these prices pat

FEDERAL NATIONAL MORTGAGE ASSOCIATION

August 27, 1974

NOTICE FNMA No. FMS-FHA/VA 16-74

TO : ALL FNMA FHA/VA SELLERS

SUBJECT: Free Market System - FHA/VA
Notice of Available Commitment Funds

The Federal National Mortgage Association announces that the next Free Market System (FMS) Auction for commitments to purchase eligible FHA/VA home loans will be as follows:

Date of Auction : September 9, 1974
Hours of Auction : 9 a.m. to 3 p.m., Washington, D. C. time
Telephone Number: (202) 293-7500

The Offer of a Seller for this Auction may not exceed the applicable maximums set forth below:

Funds Available:	NO LIMIT ESTABLISHED
Competitive Seller's Maximum:	$3,000,000
Non-competitive Seller's Maximum:	200,000

This Auction will be conducted under the general rules which have been established for FMS Auctions as stated in Section 203 of the FNMA Selling Agreement (Supplement) and pursuant to the FNMA Selling Agreement and the Supplement thereto.

Results of the FMS-FHA/VA Auction of August 26, 1974

Type of Contract	Total Offers Received*	Total Offers Accepted*	Accepted Yield-Range	Weighted Average Yield/Price of Accepted Offers
4-months	309.6	93.0	10.[illegible] - 10.495	10.384/94.19

* In Millions

Home Loan Convertible Standby Commitments may be obtained in accordance with Section 204 of the FNMA Selling Agreement (Supplement).

- The current yield required is 10.850, effective 10 a.m., 8-27-74
- The previous yield required was 10.600
- Convertible Standby Commitments issued:
  a) For the two-week period ending 8-26-74: $110,807,000
  b) Year to date volume is: $1,833,256,000
- Seller's maximum Convertible Standby Commitment activity per week (Monday through Friday) is limited to $1 million, effective 8-27-74

FEDERAL HOME LOAN BANK OF SEATTLE

Current Rate Information

August 23, 1974

ADVANCES

#Flexible Balance	11.50%
Variable Rate	
to 1 yr.	10.75
1 - 2 yrs.	10.75
*Fixed Rate	
1 yr.	9.50
2 yrs.	9.50
3 yrs	9.25
4 yrs.	9.25
5 yrs.	9.25
6 - 10 yrs.	9.25

Commitments for a period up to 1 year may be purchased for a non-refundable fee of 1/4%, per each 90-day commitment period.

*Subject to prepayment penalty of 3/4% to maturity but not less than 1%.
#30-day maximum term on Demand Deposit overdrafts

Variable interest rates may be increased upon seven days written notice to borrowers

DEPOSITS

Daily interest and certificates of deposit are available at current money-market rates.

FINANCIAL SERVICES

To arrange for advances or deposits and other financial services call

(206) 624-9074

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D.C. 20411

August 22, 1974

TI-273

TO : ALL QUALIFIED TITLE I LENDING INSTITUTIONS

SUBJECT: CHANGES IN TITLE I REGULATIONS

The Housing and Community Development Act of 1974, signed by the President today, provides for a number of changes in the Title I property improvement and mobile home financing programs.

Under the new law, the secretary is authorized to establish the maximum interest rate lenders may charge on improvement loans. The following changes in the Title I Regulations are effective as to loans applied for on and after this date.

Section 201.2(d) The maximum maturity period of a loan is 12 years and 32 days.

Section 201.2(b) Any loan in excess of $7,500, exclusive of financing charges, shall be secured by a recorded lien upon the improved property.

Section 201.3 The maximum amount of a Class 1(a) loan or a Class 2 loan is $10,000. The maximum amount of a Class 1(b) loan is $5,000 per dwelling unit, not to exceed $25,000.

Section 201.4 The maximum financing charge for any improvement loan is 12 percent per annum.

Section 201.560 The maximum term for a single-module mobile home loan is 15 years and 32 days (this is the same maximum term as is currently applied to loans financing two or more modules).

A number of provisions in the new legislation require substantial changes in regulations or development of policy and program procedures. These changes will be communicated to you as appropriate amendments to the regulations are prepared.

Rate Chart (FHA-1324) which was attached to TI Letter-271 may be used.

Sincerely,

Sheldon B. Lubar
Assistant Secretary-Commissioner

REG

		$
Credit report	117.00	
[illegible]	28.00	
[illegible]	(75.17)	

TOTAL $ 291.83

Equals the AMOUNT FINANCED in this transaction ..... $ 23,133.17

This amount includes:

Credit report	$ 10.00	Tax deposit	$ 50.04
Title insurance	51.00		
Appraisal fee	50.00		
Legal fee	25.00		

NET PROCEEDS ..... $ 22,921.33

The ANNUAL PERCENTAGE RATE on this transaction 9.75

Recording fees	$ 10.00		$

Payments [illegible] 240 [illegible] 156.76 [illegible]

first [illegible] July [illegible] 1st [illegible]

[illegible] Deed of Trust [illegible] Unit 2, 231 South [illegible] Bozeman, [illegible]

A "late charge" will be collected [illegible] for $1.00 of total payment on all payments not more that 15 days after the due date as shown above.

DESCRIBE [illegible] IF ANY, [illegible] CONFORMANCE WITH SECTION 226.[illegible] Unless 5 years [illegible] of the loan to any 12 month period will [illegible] you by a lender other than First [illegible], [illegible] First Federal (a) during the first [illegible] one-half of the [illegible] the sum of the payments made during 20% of the original principal amount of the [illegible] during the 3rd and 5th loan years, 3% of the amount by which [illegible] The term "loan year" refers to any 12 month [illegible] of.

There will be no rebate.

MISCELLANEOUS DISCLOSURES [illegible] If any part of the property, [illegible] Trust to be [illegible] Deed of Trust

Signature

"Usury laws intensify the harm whenever the housing market is already hurting . . . and they hamper attempts to rescue the market"

There were some events of 1974 that had a special flavor even for a year of ultra-tight money:

- In Florida, Arizona and Texas, builders completing their units and ready to close sales found themselves hit with unexpected discounts on their conventional mortgages, ranging up to seven points. In many cases, this converted what had been profitable projects into net losses.
- In California, the turn in financing came so suddenly that many sales couldn't be closed after the buyer had moved in. Conventional financing dried up almost completely for a time and the only FHA-VA financing was by lenders willing to take a loss of 3½ points on each loan. For months, virtually the only source of construction money was an eastern commercial bank.
- In Missouri, such few sales as took place, conventional or FHA-VA, carried up to 18 points of discount to the seller.
- In New York, conventional loans were available only to "customers with meaningful historic deposit relationships" with a minimum of one-third down.
- In Maryland there were virtually no conventional mortgages made for more than twelve months.
- In Illinois, through much of the year, most conventional lending was at 50% minimum down-payments.
- Builders in at least 14 states were barred from any benefit of the $3 billion GNMA-FNMA conventional mortgage-purchase program by provisions in their state laws.

Correctives gone wrong. These horror stories are not illustrations of the effects of tight money *per se*. That alone would have been devastating enough. They are rather a summary of what happens when the extra constraints of state usury laws are piled on a tightening money supply.

Even legislative attempts to soften the impact of usury laws turned into horror stories.

- Pennsylvania changed from a fixed to flexible usury law ceiling, set each month at 2½ percentage points above a federal bond rate index. This was a ceiling for loan commitments. But by the time of the loan closing, the commitment rate was far under the market.
- Illinois raised its usury-law ceiling three times in seven years: From 6% to 7% after the 1966 credit crunch. From 7% to 8% after 1969-70. And from 8%-9½% in July 1974. By the time the 9½% rate came, it was already far below the market. And the previous two changes came after that credit crunch had run its course.
- Virginia appears to have a model usury law. No ceiling, no restriction on fees. But it expressly forbids variable-rate loans, which are coming to be regarded as the salvation of the mortgage market.
- Each time a usury law is changed, an agonizing legislative battle seems to be required. And even that isn't always successful. In Missouri, both houses passed a bill to raise the 8% ceiling, which had applied to both conventional and FHA-VA loans, only to have it vetoed by the governor.

Extra turn of the screw. The usury laws intensify the harm whenever the housing market is already suffering from tight money, and they hamper attempts to rescue the market.

In easy-money times, the laws are virtually unseen. Thus in Florida, Arizona and Texas, interest rates never rose high enough to challenge the 10% ceilings—until 1974. Builders may not even have been aware there was a state usury law. Hence the unexpectedness of the mortgage discounts, which put some builders in serious jeopardy.

California at first adjusted to its 10% ceiling—affecting only lenders other than banks or savings and loan associations, with discount points. But when some bankers with mortgage-company customers expressed concern that points, even to the seller, might be construed as part of the borrower's interest payment, there was panic. Conventional lending halted and only a few hardy mortgage bankers continued to make FHA-VA loans—putting out money at 3 points of discount when it was costing them 6½ points from FNMA.

California banks and savings and loans, which in normal times provide the bulk of the state's mortgage money, are exempt from the usury law.

But in summer of 1974, the exempt lenders were virtually out of the mortgage market. Nearly all the state's mortgage money was from out-of-state sources, mostly FNMA, funnelled by mortgage bankers—until the legal questions about points were raised. There is still no definitive ruling from the attorney general's office.

TO PAGE 42

CRAZY QUILT OF STATE USURY LAWS

Interest Ceilings

8%-8½%	9%-9½%	10%		12%	Floating	10% to None	
Alabama	Delaware	Arizona	Mississippi	Colorado	Alaska	Connecticut	North Carolina
Minnesota	Georgia	Arkansas	Montana	Nevada	Pennsylvania	Indiana	New Hampshire
Missouri	Illinois	California	New Mexico	Washington		Kentucky	Rhode Island
New York	Iowa	District of Columbia	Oklahoma	Wisconsin		Maine	Utah
Ohio	New Jersey*	Florida	Oregon			Massachusetts	Wyoming
Vermont	North Dakota	Idaho	Puerto Rico			Michigan	
	South Carolina	Kansas	South Dakota				
		Louisiana	Tennessee				
		Maryland	Texas				

Ceiling also covers FHA-VA	Ceiling covers corporations	Some lenders are exempted	Restricts fees and-or discounts	
California	Arkansas	California	Colorado	New Jersey
Missouri	California	Colorado	District of Columbia	New Mexico
Nebraska**	Montana	Ohio	Indiana	New York
Ohio	Nevada	Oklahoma	Maryland	Pennsylvania
	Tennessee		Michigan	Vermont
			Mississippi	West Virginia
				Wisconsin

*Usury law ceiling 7% if loan is insured.

**Covers VA. FHA is exempt

Note: Usury laws contain numerous provisions, and interpretations change frequently. Complete accuracy of this table cannot be guaranteed at date of publication

ROBERT J. MYLOD, EXECUTIVE VICE PRESIDENT, ADVANCED MORTGAGE CORP., DETROIT, MICH.

from earlier 8% ceilings—allow no fees or discounts of any kind. Hence, lenders have felt unable to afford mortgages since the fall of 1973.

Thwarted rescues. The money-market salvage efforts of federal agencies are repeatedly hamstrung by state usury laws. Kenneth Plant, research vice president for the Federal Home Loan Mortgage Corp. (Freddie Mac), has reported that 80% of his agency's commitments in 1973 and 1974 were concentrated in five of the nation's 12 Home Loan Bank districts, in large part because the usury laws in the other districts were more restrictive. A similar pattern would be found in the Federal National Mortgage Association's operations. Laws barring discounts and fees are blocking application of the GNMA-FNMA plan—even in states that have no usury law ceilings. Variable-rate mortgages would be hobbled by interest ceilings or restrictions on fees in at least two thirds of the states.

Disparity compounded. There is no consistency between state usury laws. That is one reason they do so much harm.

Usury-law ceilings this year range from 8% to 21%. In some half-dozen states, they apply to FHA-VA as well as conventional home mortgages; in the others, only to conventionals.

Some states do not consider discounts to the seller part of the interest rate. Other states specifically outlaw discounts and fees of various kinds. Some even outlaw origination fees and late payment fees. In most states, however, there is no specific language or official ruling on the treatment of points and fees, leaving a gray area subject to panic and confusion.

A half-dozen states exempt certain classes of lenders from their usury laws. Typically, these are locally-based banks or savings institutions. (In California, it is any bank or S&L, local or otherwise.)

Several states, the largest California, have the same usury-law ceiling for corporations as for individuals, thus making construction loans and income-property mortgages subject to the same constraints as home mortgages.

Timetable of damages. Usury laws appear to do most of their damage to local housing markets in the early months of a tight-money period, before the credit crunch is all-pervasive, and again in the early months of recovery, when mortgage flows are resuming.

It's sometimes difficult to isolate the usury-law impact. This was particularly true in 1974, when there were so many other factors—environmental restraints, overbuilding and variations in local economies. But an instructive comparison may be made between Chicago and Detroit, Midwest markets with a minimum of environmental restraints, a minimum of over-building in one-family homes and about equally overbuilt in condominiums. Chicago in 1974 layoffs that had begun late in 1973. But Illinois had a usury law ceiling of 8% until July of 1974; Michigan has had no ceiling since 1970.

Over the entire first half, Chicago one-to-four family permits fell 47% from their five-year average; Detroit's fell only 25%.

In the second quarter of 1974, when a new round of disintermediation began, Chicago home permits fell 26% from their first-quarter annual rate; Detroit's increased by 7%.

And in the third quarter, when disintermediation grew more severe but Chicago's ceiling was raised to 9½%, the annual rate of Chicago home permits increased 23% over the first half rate and Detroit's declined by 9%.

Nationwide effect. In an earlier tight-money period, the entire national decline in the first half of 1969, when home permits fell to the third lowest level since World War II, was concentrated in nine states where usury ceilings were 7½% or less. States with 7% ceilings had three times the composite decline of states with 7½% ceilings.

In the 13 states that had 8% ceilings, home permits increased 14% in the first quarter and, then, as interest rates kept rising, declined 2% in the second quarter.

interest rate? And usury ceilings were lifted five years ago.)

History. It's hard to find even a historical rationale for the usury laws affecting home mortgages. They do not appear to have arisen in response to any specific local abuse but rather as a carryover from the old English common law.

The concept of usury grew in the medieval church and applied originally to any form of interest. Usury-law provisions in more or less their present form were part of Queen Anne's Statutes, enacted in the 17th century. A lender's market area, in that day might have been only a few square miles. This English law applied also in the American colonies and, when the first state constitutions were drawn, after the Revolution, they incorporated usury laws.

It is interesting that most of these original state usury laws had interest ceilings of 6%—ceilings that survived intact in most states as late as 1966.

A question of fairness. The laws are also lacking in internal rationale. What protection is afforded to borrowers, for example, when some lenders are permitted to charge whatever interest and fees they find necessary for home mortgages and other lenders are sharply restricted?

The truth is, usury laws are window dressing, retained for a token function. They are intended to be visible, without interfering with the workings of the mortgage market. When the ceilings do collide with market rates, they are—usually—modified, but only after long delays. By then, the damage has already been done.

I have been unable to discern any interest group that benefits by retaining usury ceilings. But there is inertia to be overcome in making any change, and there is political mileage in "restricting the moneylenders."

Some remedies. A few states have succeeded recently in removing all usury ceilings—though, as noted, not all other restrictions. These include Virginia, Michigan, and since April 1974, North Carolina. One strategy has been to remove ceilings temporarily, for a one or two-year period, to test what may happen in the mortgage market without their "protection." No adverse effects have been uncovered yet and Virginia's open-rate law was made permanent after two years. Michigan's was extended to 1977.

This is a strategy which deserves a concerted push by all segments of the housing industry in every state where usury laws prevail.

Perhaps a more effective strategy would be to work for a Federal law overriding state usury laws as part of some future National Housing Act. We recognize that credit is the key to the functioning of the housing industry and the fulfillment of the nation's housing needs. Clearly, one of the prerequisites to a smooth flow of housing credit is the removal of such artificial obstructions as the state usury laws.

ROLL CALL

Bus. & Ind. COMMITTEE

44th LEGISLATIVE SESSION 1975

Date 2 19 75

NAME	PRESENT	ABSENT	EXCUSED
John W. Devine, V.C.	✓		
Donald R. Foster	✓		
Mike Greely	✓		
Thomas E. Towe	✓	✓	
Frank W. Hazelbaker	✓		
Allen C. Kolstad	✓		
Antoinette Fraser Rosell	✓		
Pat Regan, Chairman	✓		

2-19-25 VISITOR'S REGISTER SB 234 + 235 + 238

NAME	REPRESENTING	Check One: Support	Oppo
[illegible]	Development Capital Corp	235 X	
[illegible]	Northwestern Bank - Helena	235 X	
Harold Pitts	Dept of Business Reg.		X 234
Don Garrity	Montana Savings & Loan League	X	
Gene Godfrey	Tractor & Equip Co - Billings	238	
Lloyd Klingler	Hall-Perry Mach. Co. Billings	238	
Howard Hiett	Allied Equipment Co - Billings	238	
Erich P Feldman	Feldman-Murphy Gen Contr. Billings	238	
[illegible]	[illegible]	235	
Carl Pennington	Hamilton Savings and Loan	234 235	
Elmer Kirby	[illegible]	234 235	
[illegible]	[illegible]	234 235	
[illegible]	Western Co / Mont Eq Dist Assn	238	
[illegible]	Western Diesel Prod / Mont Eq Dist Assn	238	
[illegible]	Western [illegible] Mont Eq Dist Assn	238	
[illegible]	Montana Development Division		235
[illegible]	[illegible]	234 235	
[illegible]	[illegible]	238	
[illegible]	[illegible]	235	
[illegible]	[illegible]	238	
E. J. [illegible]	[illegible]	238	
[illegible]	[illegible]		
[illegible]	[illegible]	238 235	

(Please leave prepared statement with Secretary)

February 24, 1975

MINUTES OF THE MEETING

BUSINESS AND INDUSTRY COMMITTEE

MONTANA STATE SENATE

Chairman Regan called the meeting of the Business and Industry committee to order on the above date in room 404 of the State Capitol Building. The meeting was called to take executive action on Senate Bills, 238, 234, 235, 315, 386, and 151 and Senate Joint Resolution 15.

ROLL CALL: All members of the Committee were present.

SENATE BILL 238: Senator Regan moved to amend page 2, line 7, following "logging" insert "mining". All were in favor. Senator Greely moved the bill do pass as amended. All were in favor with Senators Foster and Towe being absent for the vote.

SENATE JOINT RESOLUTION 15: Senator Devine moved to amend page 1, line 22, following "the" strike "President" insert "Committee on Committees". Lines 23, 24, and 25, following "Representatives" strike "join with the presiding officers of the legislatures of Washington, Idaho, Oregon, and California, each in appointing" insert "appoint". All were in favor with Senator Foster being absent for the vote. Senator Greely moved to amend page 2, line 5, following "the" strike "duty to" and insert "a". All were in favor with Senator Foster being absent for the vote. Senator Devine moved the bill do pass as amended. All were in favor with Senator Foster being absent for the vote.

SENATE BILL 234: Senator Towe moved to amend line 17, page 1, following "loans" insert "other than loans for purchase of real estate" and to amend the title, page 1, line 6, following "banks" insert "and excluding application of the section to loans for the purchase of real estate". All were in favor. Senator Towe moved the bill do pass as amended. All were in favor.

SENATE BILL 235: Senator Greely moved to amend page 1, line 17 following "district" insert "at the date the loan is executed". All were in favor. Senator Towe moved the bill do pass as amended. All were in favor.

SENATE BILL 315: Senator Towe moved the bill do pass as amended. All were in favor.

SENATE BILL 386: Senator Towe moved to amend page 1, line 17, following "meat" insert "known to him to be foreign meats" and to amend page 1, line 14, following "MEAT" insert "or MEAT from (country of origin)". All were in favor with the exception of Senator Rosell.

ROLL CALL

Bus. & Ind. COMMITTEE

44th LEGISLATIVE SESSION 1975

Date 2-24-75

NAME	PRESENT	ABSENT	EXCUSED
John W. Devine, V.C.	✓		
Donald R. Foster	✓	✓	
Mike Greely	✓		
Thomas E. Towe	✓		
Frank W. Hazelbaker	✓		
Allen C. Kolstad	✓		
Antoinette Fraser Rosell	✓		
Pat Regan, Chairman	✓		

Each day attach to minutes

STANDING COMMITTEE REPORT

February 24 19 75

MR. PRESIDENT

We, your committee on Business and Industry

having had under consideration Senate Bill No. 235

Respectfully report as follows: That Senate Bill No. 235

introduced bill, be amedded as follows:

1. Amend page 1, section 1, line 14.
   Following: "than"
   Strike: "five percent (5%)"
   Insert: "ten percent (10%) per annum or more than four percent (4%)"

2. Amend pag 1, section 1, line 17.
   Following: "district"
   Insert: "at the date the loan is executed"

[redacted]

AND AS SO AMENDED, DO PASS

[redacted]

BUSINESS AND INDUSTRY COMMITTEE

March 12, 1975

The Business and Industry Committee meeting was called to order, this date, at 10:30 A.M., with Chairman Shelden presiding. All members were present,with the exception of Representative Sloan.

The following bill were before the committee for consideration:

SB 234...Senator Greely, sponsor, explained the bill; he said the bill was essentialy to change the interest rate allowed regarding savings and loan associations. Senator Greely explained that the savings and loan associations were entitled to the same treatment as the banks relative to this matter. He said this excluded the purchace of real estate, however.

Don Garrity, also a propoent for this bill, testified, explaining that this bill basically gives the Montana savings and loan associations the same privileges as banks. Mr. Garrity represented Montana Savings & Loan League, who supported Senate Bill 234.

Paul Johnson, First Federal Savings & Loan Association of Great Falls, also testified as a proponent to both SB 234 and SB 235. Mr. Johnson said the savings and loan associations were limited to ten percent interest, and at that rate, they could not make any money. He said they don't make many installment loans; a few FHA improvement loans at best, but that they were entitled to the same opportunity as the banks are.

John Cadby, representing the Montana Bankers Association, testified, saying that he was concerned with the ramifications of this bill. He said the savings and loan companies enjoyed many tax benefits, that are not enjoyed by the banks, and that this bill would encourage the savings and loan companies to extend their loans into the home construction areas; he thought the bill should have some limits regarding this matter. He referred to the part of the bill regarding,"the loans could not be used other than for purchasing of real estate", and said he felt that this was restrictive legislation. Mr. Cadby said "real estate" was not defined in the bill, and could be confusing.

SB 235...Senator Greely, sponsor for this bill also, testified, explaining that HB 120 attempted to accomplish much the same purpose, and then went on to say that SB 235 would allow flexability. He said nobody can loan money at ten percent today, if they have to obtain the money at that percent themselves. Senator Greely went over the bill relating to portions explaining the interest rates proposed. He said that interest rates have come down during the past year.

Paul Johnson,again testified, saying that right now there is no problem, but because interest rates were low now, this did not mean that they would stay that way, and that we should be prepared to cover that issue. He urged the passage of this bill.

Robert Pennington, testified briefly, stating that he was in support of both SB 234 and 235; he said, however, that HB 120 was better regarding future interest rates.

Don Garrity, testified again regarding this bill, and provided the committee with some proposed amendments to SB 235, a copy of which is attached hereto. He said banks in any state were allowed to charge a regular five percent above the Federal Reserve loans, and he further said, that out of consideration for the banks, we should amend the bill to allow five percent, rather than four percent. Mr. Garrity said that the usury rate is emotional and difficult to deal with, and that there were no loans available at any rate, at this time.

Rep. Harper testified, not as a member of the committee, but as the First Vice-president of Montana Consumer Affairs Council, Inc. Rep. Harper said that HB 120 was dead in the Senate, and that this bill, referring to SB 235, would accomplish the same purpose, and he urged the passage of it.

John Cadby testified again as an opponent to this bill. He said it was an attempt to change the usuary ceiling; he said he did agree with the proponents that the ceiling should be changed, but that this bill did not do the job. Mr. Cadby said people had to borrow from out of state establishments in order to get a reasonable interest rate; and he distributed charts to sustantiate his claim regarding interest rates. A copy of the chart is attached hereto.

Mr. Cadby spoke of long-term investment capital, and how this type of loan was denied because of the low ceiling. He said they have to have eleven percent interest on long-term loans, or even more than that, and he urged the committee to postpone action on SB 235, as he said HB 120 was not dead and was a better bill.

Harold Pitts, from the Department of Business Regulation, testified as a proponet to this bill. He said that the federal discount rate had no effect on the State of Montana. Mr. Pitts said there wasn't one corporation who could borrow money on the prime rate; he said he thought there was not any company in the United States who borrow at the prime interest rate. He said the prime interest rate and the federal discount rate have no bearing on the State of Montana. Mr. Pitts said there were 150 banks in the state, and that 98 percent of them are supervised by the Department of Business Regulation; he further said, that none of these banks paid any attention to the prime interest rate, nor the federal discount rate, and that very few banks borrow from the feds. He said he agreed with the concept of both SB 234 and 235, and said that something must be done.

Mr. Pitts said money was a commodity in the market today, and to establish a set ceiling would be best for the State of Montana.

Fred Flanders, representing Independent Bank Association, testified saying that there is a serious housing shortage, and that money simply was not available, and that this bill would do nothing to provide the kind of capital Helena needed to improve the housing construction. Mr. Flanders spoke of long-term financing and how this would apply.

Senator Greely said he would approve of the amendment offered by Don Garrity; Sen. Greely then explained that the secretary who wrote up the amendment for SB 135, inadvertently wrote them incorrectly, and therefore, it was necessary to change them at this time. He said the bill was a good bill, and that only a very small part of it pertained to interest rates; he said availability of money is what they were talking about. Sen Greely further said that the banks did know what the federal discount rates were and said that anyone in the banking business who did not know about this matter did not belong in the banking business. He said this bill would protect the consumer.

More discussion followed, with questions asked by the committee members. Rep. Vincent asked Mr. Cadby if the basis of interest rates alone was the determining factor in loaning money, and Mr. Cadby said it was not; that sometimes the money just was not available. Rep. Vincent asked if other states had this quota system, and Mr. Cadby mentioned that Nebraska and Tennessee did.

Rep. Fagg inquired regarding a loan made at a particular interest rate, and if there were no ceiling, then could the party obtaining the loan, be made to pay a higher rate as the years went by, as the federal rate jumped.

Senator Greely said they could have a maximum interest rate, but he pointed out that banks do not commit themselves to a set ineterest rate.

Rep. Fagg inquired regarding corporations, and would they be exempt from this, and Senator Greely went on to explain that people borrowing money should know what they are getting into, and that good business judgement is as important in being able to determine a persons needs as the ability to obtain a loan. He further said he would prefer not to exempt corporations in this matter.

Mr. Flanders talked about Alaska, and how this worked there; he said interest fluctuated between five to seven and one-half percent and they were tied to the four percent, and that the limit was ten percent, but the only way to obtain a loan was to pay the open market rate.

More discussion followed regarding the federal interest rate of today and corporations regarding this matter, and it was ultimately decided that the committee members needed more time to look this over before acting on it. However, prior to this decision, Rep. Bradley moved that SB 234 BE CONCURRED IN, but upon more dicussion, the committee decided to defer action on both bills for the present time, and Rep. Bradley withdrew her motion.

The meeting adjourned, there being no further business.

Arthur H. Shelden

sd

ARTHUR H. SHELDEN, CHAIRMAN

NAME Harold Pitts Bill No. S.B. 235

ADDRESS Helena, Montana Date 3-12-75

WHOM DO YOU REPRESENT? Dept of Business Reg.

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Mr. Speaker:

We, your Committee on Business and Industry, having had under consideration Senate Bill No. 235, respectfully report as follows: That Senate Bill No. 235, third reading version, be amended as follows:

1. Amend section 1, page 1, line 20
   Following: "district"
   Delete: "AT THE DATE THE LOAN IS EXECUTED"
   Insert: "whichever is greater"

And as so amended, be concurred in.

CHAIRMAN

NAME Robert L Pennington Bill No. 234 & 235

ADDRESS Helena Mt Date 3-14-75

WHOM DO YOU REPRESENT? American S & L

SUPPORT 234 OPPOSE _____ AMEND 235 *

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

* In line with Montana S & L League Amendment

SENATOR.

NAME MIKE GREELY

ADDRESS GREAT FALLS

WHOM DO YOU REPRESENT? DISTRICT #20 SENATE

Bill No SB 234 SB 235

Date 3-12-25

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

SPONSER

NAME Don Garrity Bill No. 548 235

ADDRESS 1721 11th Ave. Date 3-12-75

WHOM DO YOU REPRESENT? Montana Savings & Loan League

SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Paul A Johnson Bill No 234 & 235

ADDRESS Box 2517 Great Falls Mont Date 3-12-25

WHOM DO YOU REPRESENT? First Federal Savings & Loan Assn of Great Falls

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME John Cady

ADDRESS 102 Rosewood

WHOM DO YOU REPRESENT? Monte Benbow assn.

Bill No. 234 & 235

Date 3/12/75

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

NAME Robert J. Hagen SB Bill No. 235

ADDRESS FIRST VICE-PRES. Date 12 MAR '75

WHOM DO YOU REPRESENT? _____

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

MONTANA CONSUMER AFFAIRS COUNCIL, INC.

P.O. BOX 417

HELENA, MONT. 59601

STATEMENT OF MONTANA SAVINGS AND LOAN LEAGUE

IN SUPPORT OF SENATE BILL 235

Senate Bill 235 is patterned after the federal law (Public Law 93-501) enacted by Congress last year. The need for this legislation is summarized in the report of the United States Senate's Committee on Banking, Housing and Urban Affairs. That committee stated:

> The basic problem is that in Tennessee, Arkansas and Montana, the financial industry has been caught in a pinch because of the high price it must pay for money as opposed to the interest it can earn. In Tennessee and Arkansas by constitution and in Montana by statute, the maximum interest which may be charged business borrowers is 10 percent whereas the financial institutions must pay up to 13 percent for money bought through the Federal Reserve System in the so-called Federal funds market. Most other states exempt business borrowing from the usury statutes. Although many of the financial institutions in these states have continued to make business loans in anticipation that rates will go down or that the state would take necessary action, they will not be able to continue this practice over a period of time and remain solvent. Hardest hit will be the construction, agricultural and small business firms who cannot channel funds into the states through outside corporate subsidiaries. (Senate Report No. 93-1220, 1974 U.S. Code Congressional and Administrative News 6196.)

Montana's usury law (§47-125) was enacted in 1895 and was last amended up to the present ten per cent limit in 1919. That limitation is no longer realistic in the light of current economic conditions. Montana's banks and savings and loan associations must borrow money outside this state, primarily in the Federal funds market, to meet the credit needs of the citizens of Montana. They simply cannot borrow money at more than ten per cent and

lend it out at less than 10 per cent.

The result is that long term loans for construction, business and agriculture are virtually unavailable in Montana today. These are the types of loans which provide jobs, taxes and a real contribution to the economic base of an area. These loans command a much higher interest rate in the secondary money market than the short term, 90 day loans used as an index in Senate Bill 235. For example, in September of 1974, the Federal Reserve discount rate on 90 day loans was eight per cent but the required yield on conventional mortgage loans from the Federal Home Loan Mortgage Corporation was ten and three-quarters per cent.

Senate Bill 235 retains a maximum interest rate but it allows that rate to fluctuate in response to the realities of the economy. It is in the best interest of every Montanan in that it will help to assure that money will be available to borrow at a reasonable rate in every economic situation. We urge your favorable consideration of this measure.

ROSS W. CANNON
DONALD A. GARRITY

PRIME RATE CHARGED BY BANKS

(Per cent per annum)

Effective date	Rate
1974—Jan. 7	9½-9¾e-9¾
14	9½-9¾e-9¾
29	9¼-9½e-9⅝
Feb. 11	9-9⅛e-9⅜
19	9e-9¼
25	8⅞e-9
26	8⅞-8¾e
Mar. 4	8½-8⅝e-8¾e
5	8½-8⅝e-8¾e
19	8¼e-8⅜
21	8¼e-8⅜
22	8⅜e-9e
26	9e
28	9e-9¼
29	9-9¼e-9½
Apr. 2	9¼e-9½-9½
3	9¼-9⅜e-½e
4	9⅜-9⅝e-9¾
5	9⅝-9¾-9¾e
8	9¾e-9⅞e
1974—Apr. 11	9¾-9⅞e-10e
15	10e-10⅛e-10¼
19	10-10⅛e-10½e
23	10½e-10¾e
24	10½e-10⅝e-10½
25	10¼-10⅜e-10½e
26	10⅜-10½e-10¾-11
30	10½e-10⅝e-10¾-11
May 2	10½-10⅝e-10¾e-11
3	10⅝e-10¾e-11
6	10⅝e-10¾-11e
7	11e
10	11-11⅛e
15	11¼e-11½e
17	11¼-11⅜-11½e
20	11⅜e-11¾
June 3	11⅝e-11⅞e-11¾
7	11¾-11⅞e-11⅞e
19	11⅞e
21	11⅞-11⅝e
24	11⅝e-11¾
25	11⅝e-11⅞-11⅞e
26	11⅝-11⅞e-11⅝e
28	11⅝e-11⅝
July 3	11¾e-11⅞e-12
5	11⅞-12e
9	12e-12⅛
23	10⅝-12e-12¼
Aug. 20	10¼-12e
Sept. 26	10¼-11⅛-11⅛-12e
Oct. 7	10¼-11⅛-11⅛e-12
15	10¼-11¼-11⅜-11⅝e
21	10¼-11¼-11⅜e-11¼
25	10½-11-11¼e-11⅜
Nov. 4	10⅝-11e-11¼
11	10⅝-10¾-11e
14	10⅝-10¾e-11
15	10-10⅛-10¼e
19	10-10⅛-10¼-10¼e
25	10-10⅛-10⅜e
Dec. 2	9⅞-10-10⅛-10⅜e
1975—Jan. 9	9½-10-10⅛e-10⅜
13	9½-9⅝-10-10⅛e
15	9½-9⅝-10e-10⅛
20	9½-9⅝e-10
25	9⅝-9¾e-10
29	9⅝e-9¾

Note: Beginning Nov. 1971, several banks adopted a floating prime rate geared to money market variables. e denotes the predominant prime rate quoted by commercial banks to large businesses.

Effective Apr. 16, 1973, with the adoption of a two-tier or "dual prime rate," this table shows only the "large-business prime rate," which is the range of rates charged by commercial banks on short-term loans to large businesses with the highest credit standing.

RATES ON BUSINESS LOANS OF BANKS

Center	All sizes		Size of loan (in thousands of dollars)									
			1-9		10-99		100-499		500-999		1,000 and over	
	Nov. 1974	Aug. 1974	Nov. 1974	Aug. 1974	Nov. 1974	Aug. 1974	Nov. 1974	Aug. 1974	Nov. 1974	Aug. 1974	Nov. 1974	Aug. 1974
Short-term												
35 centers	11.64	12.40	11.61	11.73	12.03	12.34	11.97	12.60	11.80	12.49	11.44	12.34
New York City	11.35	12.18	12.31	12.14	12.11	12.52	12.05	12.85	11.56	12.35	11.21	12.32
7 Other Northeast	12.22	13.17	13.01	13.07	13.86	14.20	12.96	13.71	12.32	13.29	11.91	13.05
8 North Central	11.63	12.36	11.54	11.75	11.91	12.47	11.93	12.68	11.77	12.49	11.53	12.25
7 Southeast	11.52	11.85	11.48	11.41	11.38	11.60	11.43	11.84	11.62	11.84	11.62	12.03
4 Southwest	11.95	11.95	10.87	10.95	11.64	11.62	11.72	12.02	11.74	12.12	11.36	11.93
4 West Coast	11.48	12.15	12.26	12.35	11.93	12.29	11.86	12.30	11.56	12.33	11.32	12.07
Revolving credit												
35 centers	11.60	12.45	12.21	12.06	12.08	12.45	11.87	12.47	11.60	12.35	11.56	12.38
New York City	11.60	12.48	12.28	12.72	11.97	12.50	11.95	12.69	11.72	12.58	11.57	12.46
7 Other Northeast	12.26	12.38	12.09	13.00	12.05	12.66	11.65	12.64	11.75	12.37	12.00	12.49
8 North Central	11.82	12.72	11.38	11.85	12.29	12.81	12.15	12.85	11.75	12.66	11.75	12.57
7 Southeast	11.53	12.48	[illegible]	9.53	11.41	11.51	11.64	11.94	11.63	11.94	11.25	11.77
8 Southwest	12.06	12.81	11.03	12.28	12.33	12.46	12.28	13.05	11.85	12.57	12.06	12.74
4 West Coast	11.39	12.35	12.70	12.84	11.24	12.63	11.65	12.53	11.52	12.49	11.33	12.41
Long-term												
33 centers	11.46	11.98	11.24	11.76	12.03	12.01	11.91	12.11	11.66	12.01	11.31	11.91
New York City	11.96	11.65	8.57	10.84	11.48	11.75	[illegible]	[illegible]	[illegible]	[illegible]	11.61	11.75
7 Other Northeast	12.35	12.74	12.66	12.70	12.57	12.78	12.81	[illegible]	[illegible]	[illegible]	12.61	[illegible]
8 North Central	12.29	11.12	10.96	11.27	11.81	11.81	[illegible]	[illegible]	[illegible]	[illegible]	11.44	[illegible]
7 Southeast	11.81	10.27	11.21	11.91	11.46	10.71	11.76	[illegible]	[illegible]	[illegible]	11.29	11.76
8 Southwest	12.27	11.43	12.43	11.93	12.15	12.58	12.36	11.99	[illegible]	12.15	12.07	11.87
4 West Coast	12.01	12.41	12.75	11.98	11.99	12.09	12.03	11.97	[illegible]	11.85	12.08	12.42

MONEY MARKET RATES

(Percent per annum)

Period	Prime commercial paper[1]		Finance co. paper placed directly, 3 to 6 months[2]	Prime bankers acceptances, 90 days[3]	Federal funds rate[4]	U.S. Government securities[5]						
						3-month bills[6]		6-month bills[6]		9- to 12-month issues		3- to 5-year issues[7]
	90–119 days	4 to 6 months				Rate on new issue	Market yield	Rate on new issue	Market yield	1-year bill (market yield)[8]	Other[7]	
1967		5.10	4.89	4.75	4.22	4.321	4.29	4.610	4.61	4.71	4.84	5.07
1968		5.90	5.69	5.75	5.66	5.339	5.34	5.470	5.47	5.46	5.62	5.59
1969		7.83	7.16	7.61	8.21	6.677	6.67	6.853	6.86	6.79	7.06	6.85
1970		7.72	7.23	7.31	7.17	6.458	6.39	6.562	6.51	6.49	6.90	7.37
1971		5.11	4.91	4.85	4.66	4.348	4.33	4.511	4.52	4.67	4.75	5.77
1972	4.66	4.69	4.53	4.47	4.44	4.071	4.07	4.466	4.49	4.77	4.86	5.85
1973	8.20	8.15	7.40	8.08	8.74	7.041	7.03	7.178	7.20	7.01	7.30	6.92
1974	10.05	9.87	8.62	9.92	10.51	7.886	7.84	7.926	7.95	7.71	8.25	7.81
1974—Jan	8.86	8.66	7.92	8.72	9.65	7.755	7.77	7.627	7.65	7.01	7.46	6.94
Feb	8.00	r7.83	7.40	7.83	8.97	7.060	7.12	6.874	6.96	6.51	6.93	6.77
Mar	8.04	8.42	7.76	8.41	9.33	7.986	7.96	7.829	7.83	7.34	7.86	7.33
Apr	9.42	9.79	8.35	9.61	10.51	8.229	8.33	8.171	8.32	8.08	8.66	7.99
May	10.82	10.62	8.94	10.65	11.31	8.430	8.23	8.496	8.40	8.21	8.78	8.24
June	11.18	10.96	9.60	10.79	11.93	8.145	7.90	8.242	8.12	8.16	8.71	8.14
July	11.93	11.72	9.90	11.88	12.92	7.772	7.55	8.028	7.98	8.04	8.59	8.39
Aug	11.79	11.65	9.31	12.04	12.01	8.244	8.06	8.853	9.11	8.88	9.54	8.64
Sept	11.36	11.23	9.41	11.06	11.34	8.363	8.06	8.599	8.53	8.52	8.95	8.38
Oct	9.55	9.36	9.03	9.34	10.06	7.244	7.46	7.559	7.74	7.59	8.04	7.98
Nov	8.93	8.81	8.50	9.03	9.45	7.585	7.47	7.551	7.42	7.29	7.67	7.65
Dec	9.18	8.98	8.50	9.19	8.53	7.179	7.15	7.091	7.11	6.79	7.33	7.22
1975—Jan	7.39	7.30	7.31	7.54	7.13	6.493	6.26	6.525	6.36	6.27	6.74	7.29
Week ending—												
1974—Oct. 5	10.40	10.18	9.45	9.79	11.03	6.385	6.64	7.439	7.66	7.97	8.34	8.13
12	9.85	9.70	9.20	9.61	10.43	6.698	7.24	7.364	7.70	7.53	7.93	7.94
19	9.50	9.31	9.13	9.31	10.11	7.722	7.73	7.824	7.73	7.69	8.04	7.95
26	9.35	9.00	8.80	9.12	9.81	7.524	7.60	7.395	7.62	7.40	7.90	7.90
Nov. 2	8.95	8.81	8.50	8.95	9.72	7.802	7.95	7.766	7.86	7.51	8.02	7.98
9	9.00	8.88	8.50	8.83	9.63	7.550	7.66	7.857	7.65	7.38	7.81	7.81
16	8.94	8.81	8.50	8.93	9.32	7.601	7.26	7.552	7.39	7.29	7.63	7.67
23	8.88	8.75	8.50	9.00	9.34	7.528	7.46	7.427	7.42	7.19	7.55	7.53
30	9.06	8.81	8.50	9.41	9.46	7.328	7.45	7.369	7.57	7.26	7.62	7.50
Dec. 7	9.23	9.03	8.50	9.55	9.07	7.521	7.44	7.564	7.34	7.15	7.65	7.46
14	8.95	8.75	8.50	9.03	8.86	7.172	7.28	6.911	7.04	6.72	7.26	7.16
21	9.20	9.00	8.50	9.03	8.72	7.055	6.97	6.855	6.99	6.56	7.16	7.06
28	9.25	9.06	8.50	9.16	8.45	6.963	7.01	7.033	7.11	6.67	7.26	7.17
1975—Jan. 4	9.13	8.84	8.47	9.06	7.35	7.113	6.99	7.101	6.99	6.70	7.17	7.26
11	7.95	7.83	7.94	8.31	7.70	6.[illegible]	6.54	6.682	6.61	6.45	6.91	7.21
18	7.71	7.53	7.65	7.66	7.22	6.678	6.54	6.646	6.54	6.41	6.95	7.12
25	6.[illegible]	6.55	6.78	7.03	7.17	6.369	5.98	6.373	6.14	6.15	6.66	7.36
Feb. 1	6.55	6.45	6.38	6.99	6.99	5.686	5.68	5.825	5.92	5.87	6.31	7.23

[1] Averages of the most representative daily offering rate quoted by dealers.

[2] Averages of the most representative daily offering rate published by finance companies. For current methodology, see the 90–179 day rate.

[3] Beginning Aug. 15, 1974, the rate is the average of the midpoint of the range of daily dealer offering rates for bankers dollar acceptances; prior data are averages of the most representative daily offering rate quoted by dealers.

[4] Seven-day averages for week ended Wednesday. Beginning with statement week ending July 25, 1973, weekly averages are based on the daily average of the range of rates for the week weighted by the volume of transactions at these rates. For earlier statement weeks, the averages were based on the daily effective rate (the rate considered most representative of the day's transactions, usually the one at which most transactions were effected).

[5] Except for new bill issues, yields are averages computed from daily closing bid prices.

[6] Bills quoted on bank-discount rate basis.

[7] Coupon issues.

[8] Yields adjusted to constant maturities.

NOTE: Figures for Treasury bills are the closing series described in [illegible] appendix.

CURRENT RATES

(Per cent per annum)

Federal Reserve Bank	Loans to member banks— Under Secs. 13 and 13a[1]			Under Sec. 10(b)[2] Regular rate			Special rate[3]			Loans to all others under last par. Sec. 13[4]		
	Rate on 1/31/75	Effective date	Previous rate	Rate on 1/31/75	Effective date	Previous rate	Rate on 1/31/75	Effective date[3]	Previous rate	Rate on 1/31/75	Effective date	Previous rate
Boston	7¼	1/6/75	7½	7½	1/6/75	8½	9	1/6/75	9½	10	4/30/74	9½
New York	7¼	1/10/75	7½	7½	1/10/75	8½	9	1/10/75	9½	10	4/25/74	9½
Philadelphia	7¼	1/6/75	7½	7½	1/6/75	8½	9	1/6/75	9½	10	4/25/74	9½
Cleveland	7¼	1/6/75	7½	7½	1/6/75	8½	9	1/6/75	9½	10	4/25/74	9½
Richmond	7¼	1/6/75	7½	7½	1/6/75	8½	9	1/6/75	9½	10	4/25/74	9½
Atlanta	7¼	1/13/75	7¼	7¼	1/13/75	8½	9	1/13/75	9½	10	4/29/74	9½
Chicago	7¼	1/10/75	7½	7½	1/10/75	8½	9	1/10/75	9½	10	4/26/74	9½
St. Louis	7½	1/10/75	7¾	7¾	1/10/75	8½	9	1/10/75	9½	10	4/26/74	9½
Minneapolis	7¼	1/10/75	7½	7½	1/10/75	8½	9	1/10/75	9½	10	4/26/74	9½
Kansas City	7½	1/24/75	7¾	7½	1/24/75	8½	9	1/24/75	9½	10	4/25/74	9½
Dallas	7½	1/6/75	7½	7¾	1/6/75	8½	9	1/6/75	9½	10	4/25/74	9½
San Francisco	7¼	1/6/75	7½	7¾	1/6/75	8½	9	1/6/75	9½	10	4/25/74	9½

[1] Discounts of eligible paper and advances secured by such paper or by U.S. Govt. obligations or any other obligations eligible for F.R. Bank purchase.

[2] Advances secured to the satisfaction of the F.R. Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the Section 13 rate.

[3] Applicable to special advances described in Section 201.2(e)(2) of Regulation A.

[4] Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. Govt. or any agency thereof.

SUMMARY OF EARLIER CHANGES

(Per cent per annum)

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1955	2½	2½
1956—Apr. 13	2½–3	2½
20	2½–3	2½
Aug. 24	2½–3	3
31	3	3
1957—Aug. 9	3 –3½	3
23	3½	3½
Nov. 15	3 –3½	3
Dec. 2	3	3
1958—Jan. 22	2½–3	3
24	2½–3	2½
Mar. 7	2¼–3	2¼
13	2¼–2½	2¼
21	2½	2½
Apr. 18	1½–2¼	1½
May 9	1½	1½
Aug. 15	1½–2	1½
Sept. 12	1½–2	2
23	2	2
Oct. 24	2 –2½	2
Nov. 7	2½	2½
1959—Mar. 6	2½–3	3
16	3	3
May 29	3 –3½	3½
June 12	3½	3½
Sept. 11	3½–4	4
18	4	4
1960—June 3	3½–4	4
10	3½–4	3½
14	3½	3½
Aug. 12	3 –3½	3
Sept. 9	3	3
1963—July 17	3 –3½	3½
26	3½	3½
1964—Nov. 24	3½–4	4
30	4	4
1965—Dec. 6	4 –4½	4½
13	4½	4½
1967—Apr. 7	4 –4½	4
14	4	4
Nov. 20	4 –4½	4½
27	4½	4½
1968—Mar. 15	4½–5	4½
22	5	5
Apr. 19	5 –5½	5½
26	5½	5½
Aug. 16	5½–5½	5½
30	5½	5½
Dec. 18	5½–5½	5½
20	5½	5½
1969—Apr. 4	5½–6	6
8	6	6
1970—Nov. 11	5½–6	6
13	5½–6	5½
16	5½	5½
Dec. 1	5½–5½	5½
4	5½–5½	5½
11	5½	5½
1971—Jan. 8	5½–5½	5½
15	5½	5½
19	5 –5½	5½
22	5 –5½	5
29	5	5
Feb. 11	4½–5	5
19	4½	4½
July 16	4½–5	5
23	5	5
1971—Nov. 11	4½–5	5
19	4½	4½
Dec. 13	4½–4½	4½
17	4½–4½	4½
24	4½	4½
1973—Jan. 15	5	5
Feb. 26	5 –5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5¾
May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6 –6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7 –7½	7½
23	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7½–8	7¾
16	7¾	7¾
1975—Jan. 6	7½–7¾	7¼
10	7½–7¾	7¼
24	7¼	7¼
In effect, Jan. 31, 1975	7¼	7¼

NOTE.—Rates under Secs. 13 and 13a (as described in table and notes above). For data before 1956 see *Banking and Monetary Statistics*, 1943, pp. 430–42, and Supplement to Section 12, p. 31.

P. O. BOX 111, STEVENSVILLE, MONTANA 59870

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

ROBERT J. THOMAS • ASSOCIATE IN BUSINESS ANALYSIS 777 5712

March 7, 1975

Mr. John Cadby, President
Montana Bankers Association
334 Fuller Avenue
Helena, Montana 59601

Re: HB 120

Dear John;

After returning to my office and reviewing the provision of HB 120 and SB 235, I reaffirmed my contention that HB 120 is the only one that will attract long-term financing into Montana by insurance companies and mortgage companies.

On high-risk loans, which are the case with many that I work with, they are still asking in excess of 12%, even though the rates have come down slightly. I talked to a Travelers representative today, and he indicated only slight, if any, reduction in long-term money.

Senator Reagan's council had asked for names and address, which I can not without each principal's signature. By the time I could contact these people, explain the situation to them and then get an O.K. in writing from them, too much time would have elapsed. I can give you a list of the type of business involved and the area in which each prepared loan is located, the approximate amount of each loan and they are as follows:

Billings -

Warehouse - $800,000
Office building - $1,000,000
Auto parts store - $250,000
Restaurant - $180,000
6 - 8 unit apartments - $150,000 each (separate loans for a total of ($900,000)
Parts overhaul depot - $250,000
3 ranches - 1 for $800,000; 1 at $375,000; one at $250,000

Bozeman -

Dairy farm - about $500,000

Flathead County -

Well drilling firm - $250,000
Office building - $280,000
Contractor - $500,000

One business in Western Montana area closed due to lack of financing. We had a tentative committment for this business should the usury rate have been changed. ($1,000,000 loan)

A mobile home park in Western Montana, 400 units for low income families, may have to close because of no long-term financing. We had a committment on this one year ago at 10%. The owner thought this too much interest and turned it down. Then, ninety days later, he contacted me and indicated he would take it, even at 11%. But, as you know, with increased interest rates there was nothing we could do. This was proposed at 1.1 million for a grand total in excess of 8 million.

Most of the above are cases still pending should HB 120 be passed. We could probably make several of these loans. SB 235 would not open the finance door for these people to outside money. There are many, many more small loans of $50,000 on up that could be listed, but the above gives you an idea of our problem. We are actually taking no more proposals because there is no use putting out any more time and expense until HB 120 is passed.

Obviously, I am not the only person that represents insurance companies domiciled outside of our state. So, when you compound this situation by including all the other lenders, it makes a tremendous sum that we are not getting in Montana. When you compare this to other states, discrimination exists.

There was several million dollars in labor and material sales lost, alone, simply because of our Montana interest rate ceiling. If this is changed, money could come in quite rapidly and thereby open up jobs for many of our unemployed, as well as, keeping others working and keep more of our youth in the state.

I feel that it is imperative that HB 120 pass, and I will be glad to do whatever I can to help you with this very serious problem.

Best regards,

Robert J. Thomas

RJT/ra

NAME FRED FLANDERS Bill No. 234-35

ADDRESS INDEPENDENT BANKERS (representing) Date March 12, 1975

WHOM DO YOU REPRESENT? _____

SUPPORT _____ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

SENATE BILL NO. 235

INTRODUCED BY GREELY, HIMSL, GALT, FASBENDER, KOLSTAD, TOWE, HAZELBAKER, GOODOVER, R. SMITH, STEPHENS, FLYNN, ROSELL

A BILL FOR AN ACT ENTITLED: "AN ACT TO REGULATE THE MAXIMUM RATE OF INTEREST WHICH PARTIES MAY AGREE TO IN WRITING, AMENDING SECTION 47-125, R.C.M. 1947; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 47-125, R.C.M. 1947, is amended to read as follows:

~~"47-125.--Same--any--rate--not--exceeding--ten-per-cent allowed-by-agreement.--Parties-may-agree-in-writing-for--the payment--of--any--rate-of-interest-not-exceeding-the-rate-of ten-per-cent-per-annum--more--than--five--percent--(5%)--TEN PERCENT--(10%)--PER-ANNUM-OF-MORE-THAN-FOUR-PERCENT-(4%)--in excess-of-the-discount-rate-on-ninety-day--commercial--paper in--effect--at-the-federal-reserve-bank-in-the-ninth-federal reserve-district-AT-THE-DATE-THE-LOAN-IS-EXECUTED, and--such interest--shall--be--allowed,--according-to-the-terms-of-the agreement,-until-the-entry-of-judgment.-ON-LOANS--IN--EXCESS OF--ONE--MILLION--DOLLARS-($1,000,000),-PARTIES-MAY-AGREE-IN WRITING-TO-THE-PAYMENT-OF--ANY--RATE--OF--INTEREST,--WITHOUT LIMITATION."~~

~~SECTION-2.--THIS-ACT-IS-EFFECTIVE-ON--ITS--PASSAGE--AND APPROVAL.~~

"47-125. Same -- any rate ~~not-exceeding-ten-per-cent~~ allowed by agreement -- LIMITATIONS AS TO CERTAIN LOANS. Parties may agree in writing for the payment of any rate of interest ~~not-exceeding-the-rate-of-ten-per-cent--per--annum,~~ NOT EXCEEDING THE RATE OF TWELVE AND ONE-HALF PERCENT (12-1/2%) PER ANNUM ON LOANS LESS THAN ~~FIFTY--THOUSAND DOLLARS--($50,000),-FIFTEEN-PERCENT-(15%)-ON-LOANS-IN-EXCESS OF-FIFTY-THOUSAND-DOLLARS-($50,000)--AND--NOT--EXCEEDING--ONE MILLION---DOLLARS---($1,000,000)~~ FIVE HUNDRED THOUSAND ($500,000), AND AS THE PARTIES MAY DESIGNATE ON LOANS IN EXCESS OF ~~ONE--MILLION--DOLLARS--($1,000,000)~~ FIVE HUNDRED THOUSAND DOLLARS ($500,000) and such interest shall be allowed, according to the terms of the agreement, until the entry of judgment."

SECTION 3. THIS ACT IS EFFECTIVE ON ITS PASSAGE AND APPROVAL.

-End-

REFERENCE BILL